

CONSULTING AGREEMENT AND AGREEMENT NOT TO COMPETE

THIS AGREEMENT is given as of this 22nd day of June, 1998 by STEVE L. STEINBERG, an individual having an address at 2142 Boyer Avenue East, Seattle, Washington 98112 (the "Executive"), to SPECIALTY RETAILERS, INC., a Texas corporation having an address at 10201 Main Street, Houston, Texas 77025 (the "Company");

WITNESSETH:

WHEREAS, pursuant to that certain Asset Purchase Agreement dated as of March 16, 1998 (the "Agreement") between Tri-North Department Stores, Inc., as seller (the "Seller"), and the Company, as buyer, and Stage Stores, Inc. (the "Parent Company"), the Company is purchasing the Purchased Assets from Seller;

WHEREAS, capitalized terms used herein shall have the meanings ascribed to them in the Agreement;

WHEREAS, the Company would not have been willing to enter into the Agreement and purchase the Purchased Assets from Seller unless the Executive executed and delivered this Agreement to the Company;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby covenant and agree as follows:

1. Consulting Services. The Company hereby engages the Executive as an independent contractor, and not as an employee, to render consulting services to the Company as hereinafter provided, and Executive hereby accepts such engagement, for a period commencing on the date hereof and terminating on the second anniversary of the date hereof (the "Consulting Period"). The Executive shall not have any authority to bind or act on behalf of the Company. During the Consulting Period and based upon the Executive's personal knowledge of and experience in the market and the region, which has been acquired from the Executive's operation of similar stores in the area, the Executive shall render such consulting services to the Company and its Parent Company in connection with the Company's business as the Company from time to time may reasonably, and in good faith, request, including, but not limited to, (i) general consulting services, including, but not limited to, information concerning merchandising advice and services, pricing, store operations and management, employment and hiring, customer preferences and other general business information (collectively

"General Business Consulting") and (ii) property consulting and site identification services (the "Property Consulting Services").

2. Confidential Information. The Executive acknowledges that the information, observations and data obtained by him while employed by the Company concerning the business or affairs of the Company or the Parent Company ("Confidential Information") are the property of the Company or the Parent Company. Therefore, the Executive agrees that he shall not disclose to any unauthorized person or use for his own purposes any Confidential Information without the prior written consent of the Company, unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of the Executive's acts or omissions. Confidential Information may also be disclosed by the Executive if disclosure is required by applicable law; provided that prior to any such disclosure, the Executive shall notify the Company of the proposed disclosure so that the Company may seek an appropriate protective order and the Executive shall cooperate with the Company in its efforts to obtain an order or other reliable assurance that any Confidential Information that is disclosed is accorded confidential treatment. The Executive shall deliver to the Company at the termination of the Consulting Period, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) relating to the Confidential Information or the business of the Company or any Subsidiary which he may then possess or have under his control.
3. Enforcement. If at any time, in any judicial proceeding, any of the restrictions stated in paragraph 2 of this Agreement are found by a final order of a court of competent jurisdiction to be unreasonable or otherwise unenforceable under circumstances then existing, the Executive agrees that such restrictions shall be modified to the extent necessary to enable the court to enforce the restrictions to the extent such provisions are allowable under law, giving effect to the agreement and intent of the parties that the restrictions contained herein shall be effective to the fullest extent permissible. Because the Executive's services are unique and because Executive has access to Confidential Information, Executive acknowledges and agrees that money damages may not be an adequate remedy for any breach or threatened breach of the restrictions stated in paragraph 2 of this Agreement and that, in such event, the Company or its successors or assigns may, in addition to any other rights and remedies existing in its favor, apply to any court of competent jurisdiction for specific performance, injunctive and/or other relief in order to enforce or prevent any violations of the provisions of this Agreement. Any injunction shall be available without the posting of any bond or other security.

4. Tax Returns. Executive shall file all tax returns and reports required to be filed by him on the basis that Executive is an independent contractor, rather than an employee, as defined in Treasury Regulation §31.3121(d)-1(c)(2).
5. Noncompetition. The Executive acknowledges and agrees with the Company that Executive's agreement not to compete with the Company during the Consulting Period set forth herein constitutes a material inducement to the Company to enter into the Agreement and purchase the Purchased Assets and that the Company would be irreparably damaged if the Executive were to provide similar services to any person or entity competing with the Company or engaged in a similar business. The Executive accordingly covenants and agrees with the Company that during the period commencing with the date of this Agreement and ending on the date which is two (2) years after the date of the Closing (the "Noncompetition Period"), the Executive shall not, directly or indirectly, either for himself or for any other individual, corporation, partnership, joint venture or other entity, participate in any business (including, without limitation, any division, group or franchise of a larger organization) located in the areas of which the premises demised under the Leases transferred to the Company pursuant to the Agreement comprise a part, which engages or which proposes to engage in junior department store retail sales or any other business hereafter conducted by the Company or the Parent Company. Notwithstanding anything to the contrary provided for herein, the Company and the Executive understand and agree that the Executive shall continue to participate in the Seller's Nampa, Idaho location, provided, however, such participation shall terminate as soon as is commercially reasonable, and shall not continue after March 31, 2003, the expiration of initial termination date (not including options) of the Nampa, Idaho lease.
6. Nonsolicitation. During the Noncompetition Period, the Executive shall not (i) induce or attempt to induce any employee of the Company or the Parent Company to leave the employ of the Company or the Parent Company, or in any way interfere with the relationship between the Company and any employee thereof or the Parent Company and any employee thereof, (ii) hire directly or through another entity any person who was an employee of the Company or the Parent Company at any time during the Noncompetition Period, or (iii) induce or attempt to induce any customer, supplier, licensee or other business relation of the Company or the Parent Company to cease doing business with the Company or the Parent Company, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company.
7. Compensation; Reimbursement. In consideration of Executive's consulting services set forth in paragraph 1 above, the Executive shall receive during the Consulting Period: (i) a sum equal to \$25,000 per annum to be paid quarterly in arrears in equal installments, provided, however that the Executive is not in default under this Agreement and (ii) a sum equal to not less than \$15,000 for

each leasehold site that the Executive identifies to the Company (excepting the sites more particularly described on Exhibit A, attached hereto and incorporated herein) to be paid within thirty (30) days after the execution of the lease agreement, provided, however, that the Executive is not in default under this Agreement and that the Company does in fact enter into a lease agreement for the identified premises within twelve (12) months after the Company receives the written identification notice from the Executive. For the purposes of this Agreement, "identifies" shall mean: (i) to identify in writing to the Company the exact, existing and currently available, or soon to be available space that meets the general size, configuration and market requirements of the Company; (ii) to provide the Company with an actual introduction to the Landlord or the Landlord's representative; and (iii) to provide the Company with information concerning the market and the region that the Executive has acquired through his personal knowledge of and experience in operating similar stores in the area. The Executive shall not be entitled to any fringe benefits or perquisites from the Company. The Company shall reimburse Executive for all reasonable expenses incurred by him in the course of performing his duties under this Agreement which have been pre-approved by an officer of the Company and are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's customary requirements with respect to reporting and documentation of such expenses.

8. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Executive, the Company and their respective successors and assigns, except that Executive may not assign his rights or delegate his obligations hereunder without the prior written consent of the Company.
9. Default. If either party defaults in the performance or observance of said party of any covenants or conditions herein contained and such default shall continue for thirty (30) days after written notice thereof shall have been received by the other party, the defaulting party shall be considered to be in default for the purposes of this Agreement.
10. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and the Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.
11. Governing Law/Venue. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of Texas, without giving effect to any choice of law or conflict of law

rules or provisions (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas. Each party hereto agrees to submit to the jurisdiction of any state or federal court sitting in the State of Texas in connection with any action, suit or proceeding arising hereunder.

12. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.
13. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.
14. Executive's Representations. The Executive represents and warrants to the Company that (i) his execution, delivery and performance of this Agreement does not and shall not conflict with, or result in the breach of or violation of, any other agreement, instrument, order, judgment or decree to which he is a party or by which he is bound, (ii) he is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other person or entity and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of his, enforceable in accordance with its terms.
15. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, mailed by first class mail, return receipt requested, or delivered by express courier service, to the recipient at the address below indicated:

Notices to the Executive:

Steve L. Steinberg
2142 Boyer Avenue East
Seattle, Washington 98112
Telecopy No.: (206) 621-2660
Attention Irwin L. Treiger, Esq.

212 4464500 P.07/08

With a copy to:

Bogle & Gates
601 Union Street
Suite 4700
Seattle, Washington 98101
Attention: Irwin L. Treiger, Esq.
Telecopy No.: (206) 6221-2660

Notices to the Company:

Specialty Retailers, Inc.
10201 Main Street
Houston, Texas 77025
Telecopy No. (713) 669-2621
Attention: Mr. Mark A. Hess, Treasurer

With a copy to:

Specialty Retailers, Inc.
726 Meyerland Plaza, Suite 202
Houston, Texas 77096
Telecopy No. (713) 218-4478
Attention: Scott A. Woods, Esq., Senior Counsel

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered or mailed.

16. Captions. The captions used in this Agreement are for convenience of reference only and do not constitute a part of this Agreement and shall not be deemed to limit, characterize or in any way affect any provision of this Agreement, and all provisions of this Agreement shall be enforced and construed as if no caption had been used in this Agreement.
17. Complete Agreement. This Agreement, those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

18 Counterparts. This Agreement may be executed in counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed as of the date and year first above written.

THE EXECUTIVE:

STEVE L. STEINBERG

THE COMPANY:

SPECIALTY RETAILERS, INC.

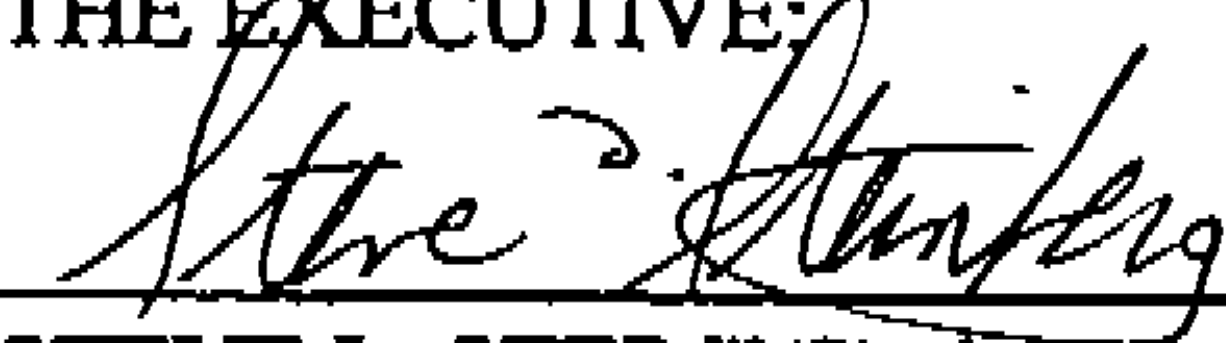
By: Mark A. Hess

Mark A. Hess, Treasurer

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STEVE L. STEINBERG

THE COMPANY:

SPECIALTY RETAILERS, INC.

By: _____
Mark A. Hess, Treasurer